

JANNEY UPDATE

PRESIDENT'S MESSAGE TO CLIENTS

As we enter a new year, it is my pleasure—on behalf of everyone at Janney—to extend to you our sincere thanks for the relationship you have established with us and to offer our best wishes for a successful 2012.

While 2011 was a year that presented challenges for the economy and many financial institutions, I am pleased to report that Janney's business direction and financial stability moved steadily forward. Janney remains privately held and maintains a well-diversified business model—with strong and growing Private Client and Capital Markets businesses, consistent profitability, and the ongoing support of our parent company—The Penn Mutual Life Insurance Company, one of the largest mutual life insurance companies in the U.S.

Our consistent success stems from our unwavering focus on the needs of our clients. We understand that our client relationships are built on a foundation of trust and integrity, and we work diligently to ensure that your interests remain at the forefront as we navigate current economic conditions together.

In 2011, our Private Client Group continued to expand and improve services to meet our clients' comprehensive and diverse wealth management and financial needs. We introduced a broad range of alternative investment offerings and expanded the trust service capabilities we make available to clients. Janney also increased its role in helping a growing roster of clients with Capital Markets transactions. This important business area at Janney was recognized for its significant growth and market presence in 2011—and for the expertise of many of its experienced professionals.

The past year has garnered a lot of attention for Janney in the marketplace, and for all the right reasons. Nationally, Janney was recognized by *Barron's* as one of the Top 40 Wealth Managers in the country, and many Janney Financial Advisors continued to earn accolades in their local communities as leading wealth managers. Further, several of our research analysts were rated among the top in the U.S. by the *Financial Times* and *Starmine*—while our Parker/Hunter Asset Management unit earned recognition from the PSN database of over 2,000 investment managers as a Top 10 Manager of the Decade and a Top Guns manager of equity and ETF products. Also, our investment strategists and research analysts have been the go-to experts

for perspective and advice on changing market conditions. We are proud that Janney's prominence in the news is driven by our team's quality ideas and insights—the same advice and information that is available to you directly through your Financial Advisor.

The start of a new year is always a good time to revisit your financial plan, portfolio diversification, risk tolerance, retirement and wealth transfer strategies and future goals. It is of particular importance at this time, because of changing financial market conditions. As you consider these questions, I encourage you to review the enclosed *Economic Outlook* from Mark Luschini, our Chief Investment Strategist.

Mark notes that economic conditions in the U.S. have shown signs of strengthening in recent months. While he believes growth will generally remain tepid, he points to employment gains, improved consumer confidence, and steady business activity building a stable foundation for combating the turbulence generated by global events. That is encouraging at any time, but particularly so when a likely recession in Europe could, depending on its severity, export a slowdown to our economy. The macroeconomic headlines may continue to buffet the financial markets, but as Mark states, there are compelling opportunities in both the equity and fixed income investment arenas.

What does that mean for you in 2012? Your Janney Financial Advisor is available to help answer that question and assist you with your needs—backed by Janney's resources and team of professionals. I encourage you to take full advantage of their support and advice.

In closing, let me again thank you for your business, and for the confidence you continue to place in Janney. We value both greatly, and we look forward to strengthening our relationship with you in 2012. ■

Sincerely,



Timothy C. Scheve
President and Chief Executive Officer

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Economic Outlook

Mark Luschini, Chief Investment Strategist

The U.S. economy has shown accumulating signs of improvement over the last several months. Better news on employment, manufacturing activity, and retail sales (including autos) offers increased promise that our economy will remain steady even against the buffeting winds of worry over Europe's sovereign debt woes. We have also recently seen a bump in consumer confidence, an important marker given the role of consumption as a driver in our economy. While that is not to say the pace of growth is likely to achieve escape velocity, and therefore be sufficiently high to meaningfully or quickly draw down unemployment, we expect it to remain positive nonetheless. This should allow for, albeit slowly, the repair of household finances and the beleaguered housing market, both necessary building blocks for a sustained and healthy expansion going forward.

In the meantime, Europe is embroiled in a battle to stave off a disruptive event as a result of its escalating financial crisis. The recent European Union Summit successfully pushed for greater fiscal integration, but there are still clouds of uncertainty hanging over the region—and not much has been presented that addresses efforts to re-stimulate economic growth. We expect the situation to remain fluid until policy officials provide a tangible solution to cap the risk of a default on one or more of the continent's peripheral countries' sovereign debt. In the meantime, it seems all but certain that Europe will encounter a recession. However, if it is mild, as expected, the impairment to global activity should be manageable.

The critical influence for markets in 2012 will be whether global economic growth is sufficient to avert a reduction in corporate earnings. We hold as our base case that the conditions should be present to allow companies to reasonably prosper. Therefore, we believe that leaves income-producing instruments, such as high dividend, high quality stocks, and corporate and municipal bonds, as most attractive for risk capital. ■

CHANGES IN INVOICE AND ANNUAL FEE TIMING: IRAs AND QUALIFIED PLANS

In the past, Janney charged an annual fee to IRAs and qualified plans for which Janney serves as custodian (if applicable) on the anniversary month of the account opening date. Beginning in January, 2012, the annual fee will be charged to the account in November each year, rather than upon the twelve-month anniversary. Clients will be notified of the annual fee assessment in the third quarter of 2012. Please contact your Financial Advisor if you have any questions regarding the change. ■

INFORMATION ABOUT TAX FORM MAILING DATES FOR TAX YEAR 2011

To assist you in planning for the preparation of your 2011 taxes, we have provided information below on the delivery schedule for tax documents over the next several months.

The Internal Revenue Service (IRS) has changed the deadline for delivering most IRS Forms 1099 from January 31 to February 15 of each year.

- Janney plans to mail Consolidated 1099 Tax Statements in February 2012. Please ensure that you have received the required tax forms for each account that may have taxable activity before beginning to complete your 2011 tax return for the IRS.
- Please use the tax forms that Janney sends to you for the preparation of your income tax return(s), rather than the Income and Distribution totals on your December account statement.
- Certain accounts may require the issuance of an amended 1099 as revised information is received from the issuers. Janney will send any amended Forms 1099 to clients as revised information is received from the issuers. Janney typically mails amended Forms 1099 to clients between March 1 and April 2.
- We encourage you to wait as long as possible before preparing your 2011 tax returns to ensure the 1099 received is the most current form. We recommend consulting with your tax advisor to understand how this may apply to your individual situation.

We have provided below a schedule of the forms Janney will mail to clients this year. You will receive only those forms appropriate for the type of activity in each of your accounts.

Should you have questions regarding the tax documents we provide, please contact your Financial Advisor. Tax preparation questions should be directed to your professional tax advisor. ■

Mailing Deadline	Mailing Type	Description of Contents
January 31, 2012	Forms 1099-R and 1099-Q	Distributions from your IRA, Qualified Plan or Education Savings Account
February 15, 2012*	Form 1099-DIV	Dividends & Other Distributions
	Form 1099-INT	Reportable Interest Income
	Form 1099-OID	Original Issue Discount Income (other than Collateralized Mortgage Obligation, or CMO, and Real Estate Mortgage Investment Conduit, or REMIC, instruments)
	Form 1099-B	Proceeds from Broker and Barter-Exchange Transactions
March 15, 2012	Form 1099-MISC	Royalties, Substitute Payments & Miscellaneous Income
	Form 1099-OID (REMIC)	OID and Interest Accruals from CMOs/REMICs
March 15, 2012	WHFIT Statement for Mortgage Securities	Income and Expenses resulting from Pooled Mortgage Securities
March 15, 2012	1042-S	Foreign Person's U.S. Source Income Subject to Withholding
March 15, 2012	Schedule K-1	Master Limited Partnership (MLP) Income, which will be mailed directly from the General Partner
April 30, 2012	Form 5498-ESA	Form 5498-ESA reports of contributions and rollover contributions made for 2011
May 31, 2012	Form 5498	Form 5498 reports Traditional, SEP, Simple and Roth IRA contributions and rollovers. Conversions and recharacterizations are also reported. SEP and Simple IRA contributions will appear on the 5498 for the year in which the contribution is made as opposed to the year for which the contribution is made. This form also reports the fair market value of the account at year-end.

* The IRS has changed the deadline for mailing most IRS Forms 1099 from January 31 to February 15 of each year. As we have in the past, we expect to receive a 30-day extension from the IRS that extends this deadline to March 15, 2012.

COST BASIS REPORTING: IMPORTANT INFORMATION FOR CLIENTS

Recent changes in federal law will result in cost basis reporting changes on 2011 Forms 1099 sent to clients and the IRS.

What are the General Cost Basis Reporting Changes?

In most cases, cost basis is the original amount paid for a security. In the past, Janney was not required to report cost basis to the IRS. However, Janney did provide cost basis information on your account statement(s) and 1099 Consolidated Statement in the non-reportable section for use by you and your tax advisor.

Due to a change in IRS regulations, starting with the 2011 tax year, when you sell, redeem or dispose of a “covered” security, Janney is required to report the adjusted cost basis to the IRS—as well as whether the gain or loss is short-term or long-term. A covered security is defined as any security that will have the cost basis information reported to the IRS when the security is sold or redeemed.

The cost basis must be adjusted for all wash sales, corporate actions such as stock splits, mergers, reorganizations, spinoffs and others as well as other required IRS adjustments.

Any security purchased *before 2011* is deemed “noncovered” by the IRS, and therefore, no cost basis information will be reported to the IRS when the security is sold or redeemed.

What Changes Are Occurring for Tax Years 2011–2013—and in Future Years?

The Emergency Economic Stabilization Act of 2008 included new tax reporting requirements for tax year 2011 and future years. This Act requires that broker-dealers and others report to the IRS, on Form 1099-B, the adjusted cost basis of securities disposed of by sale, redemption or corporate action—including whether the gain or loss is short-term or long-term. These requirements are being phased in over three years, as follows:

- **Tax year 2011** – The first phase took effect on January 1, 2011. IRS cost basis reporting is required for tax year 2011 for sale or disposition of equities, both common and preferred, exchange-traded funds, and real estate investment trusts purchased in 2011 and thereafter. IRS reporting for wash sales and short sales also begins in tax year 2011. Clients will notice these changes on the new Form 1099-B in the Consolidated 1099 Tax Statement they receive early in 2012 for tax year 2011.

- **Tax year 2012** – IRS cost basis reporting will begin for sales of both open- and closed-end mutual funds purchased in 2012, and securities purchased through dividend reinvestment plans in 2012 and thereafter.
- **Tax year 2013** – The third and final phase takes effect on January 1, 2013. IRS cost basis reporting will begin for sales of bonds and other fixed income securities, master limited partnerships, unit investment trusts, and all other tradable securities purchased in 2013 and thereafter.

What is the Cost Basis Default Method?

The legislation requires broker-dealers to use a default cost basis reporting method. For equities and other “covered” securities in 2011 and future years, the IRS default method is the First in First Out (FIFO) method. This will be the default method Janney will apply for securities sales, unless another method is requested by the client.

What Cost Basis-Related Information Will Janney Report to the IRS?

In the past, Janney only reported the gross proceeds for any sale or redemption. Starting in tax year 2011, Janney will also report the adjusted cost basis and holding period for sales or redemptions in the tax year applicable to the security’s reporting phase for “covered” securities (a sample is below).

Please note that Janney will also report proceeds from sale or disposition of “noncovered securities” to the IRS as it has in the past. **Janney will report to the IRS, as required by law, proceeds from the sale or disposition of all client investments in tax year 2011 and future years—while adding additional required reporting data for “covered” securities.**

Where Will This Information Be Reported?

Beginning in tax year 2011, your adjusted cost basis, realized gain or loss, and holding period (short-term or long-term) will be shown on the 1099-B section of your Consolidated Tax Statement. In the past, the 1099-B section only showed your sale and redemption proceeds.

What Are the Changes to Wash Sale Reporting?

A wash sale is a purchase of an identical security 30 days before or after the sale of the same security for a realized loss. To address IRS requirements, beginning in tax year 2011,

Janney will automatically adjust certain figures to account for wash sales. Upon the sale of a security triggering a wash sale, the realized loss will be adjusted to disallow the loss, resulting in a zero gain or loss. The Disallowed Wash Sale amount will then be added to the cost basis of the new purchase and reported to the IRS on the 1099-B section of the 1099 Consolidated Statement. The security purchase date will then be changed to the purchase date of the security with the disallowed loss.

(Continued on page 4; Cost Basis Reporting: Important Information for Clients)

Sample of 2011 Form 1099-B

2011 1099-B*		Proceeds from Broker and Barter Exchange Transactions (continued)				Page 13 of 25 Account 4444444444 OMB No. 1545-0715			
8 - SHORT-TERM GAINS AND LOSSES - Category A (Cost basis is reported to the IRS.)						6 - Tax lots: COVERED			
9-Description / CUSIP / Symbol		2 - Proceeds of stock, bonds, etc. ¹		1b - Date of acquisition		3 - Cost or other basis		Gain or loss Additional information	
1a - Date of sale or exchange	Quantity								
HOME DEPOT INC / CUSIP: 437076102 11/15/11	300,000	12,000.00	06/30/11	13,400.00	1,000.00	Sale	5-Wash sale loss disallowed: \$400.00		
CALIFORNIA PIZZA KITCHEN / CUSIP: 13054D109 07/07/11	3,000,000	55,500.00	02/15/11	42,750.00	12,750.00	Merger			
POST PROPERTIES / CUSIP: 737464107 07/15/11	1,000,000	30,000.00	01/15/11	18,000.00	12,000.00	Sale			
8 - LONG-TERM GAINS AND LOSSES - Category B (Cost basis is NOT reported to the IRS.)						6 - Tax lots: NONCOVERED**			
9-Description / CUSIP / Symbol		2 - Proceeds of stock, bonds, etc. ¹		Date of acquisition		3 - Cost or other basis		Gain or loss Additional information	
1a - Date of sale or exchange	Quantity								
DENVER CO CITY & COUNTY 5.25% 8/1/08 / CUSIP: 123456789 02/05/11	100,000,000	100,000.00	05/01/00	100,986.00	-986.00	Sale			
HOME DEPOT INC / CUSIP: 437076102 06/04/11	300,000	10,595.80	06/10/02	11,786.95	0.00	Sale	Wash sale loss disallowed: \$1,191.15		

JANNEY ADVANTAGE® CASH SWEEP REMINDER

Janney annually reviews client account(s) with the Cash Sweep Option. As stated in your account agreement terms, subsequent to account opening, Janney may make changes to your Cash Sweep Option election. The following is a reminder of our policy and process for this review and potential change.

Janney reviews your Household Balance* at the end of each calendar year on December 31. At that time, it will be determined if your Household Balance falls below either our pre-determined \$500,000 or \$100,000 thresholds. If your Household Balance does fall below these thresholds, your existing Cash Sweep Option will remain in place until at least the end of the subsequent calendar quarter (March 31, 2012), but then may change effective April 2, 2012 based upon the following:

- If you have selected Dreyfus¹ (MBSC) Money Funds as your Cash Sweep and your Household Balance remains below \$500,000, then Janney will automatically change your Cash Sweep Option to the Janney Advantage Insured Sweep² (“JAIS”), effective April 2, 2012.
- If you have selected Tax-Advantaged Sweep Money Funds as your Cash Sweep Option and your Household Balance remains below \$100,000, then Janney will automatically change your Cash Sweep Option to the Janney Advantage Insured Sweep (“JAIS”), effective April 2, 2012.

For more information about these program rules and eligibility for particular Cash Sweep Options, please contact your Financial Advisor or visit <http://www.janney.com/janneyadvantage>.

This policy and process does not apply to ERISA, Discretionary, or Organizational Accounts.

** Janney determines your Household Balance by aggregating the brokerage account balances for all persons at the same address, in the same household, or with the same Social Security Number or Tax ID Number. You also may request that we link your Janney brokerage accounts to other Janney brokerage accounts held by an immediate family member (i.e., parents, spouse, children) or brokerage accounts over which you have direct control (e.g., if you have control over a Janney brokerage account owned by a person living outside your household). The aggregate balance of all “linked” brokerage accounts is your Household Balance. Janney retains the right to consider requests to link brokerage accounts for this purpose in our sole discretion. Certain brokerage accounts may be eligible for linking in determining your Household Balance (e.g., corporate, religious organizations, not-for-profit organizations and fraternal organizations); certain other brokerage accounts are ineligible for linking in determining your Household Balance, (e.g., certain retirement accounts, including ERISA plan accounts and defined benefit plan accounts). The assets of linked brokerage accounts are not commingled, and all clients linking brokerage accounts retain control over, and responsibility for, their individual brokerage accounts.*

Janney is not responsible for identifying those eligible brokerage accounts that you may wish to have linked for purposes of determining your Household Balance. If you would like Janney to consider brokerage accounts to be linked, please notify your Financial Advisor, who will provide you with more information on linking Janney accounts. It is your obligation to notify your Financial Advisor of brokerage accounts that should be linked.

¹An investment in a Money Market Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Money Market Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Money Market Fund. For more complete information on the Money Market Fund, including fees and expenses, please request a brochure and prospectus. Please read the prospectus carefully before investing or sending money. Please refer to your Janney Account Agreement or ask your Financial Advisor to discuss your account’s eligible sweep investment option.

²Effective July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act became law, which permanently raises the maximum deposit insurance limit to \$250,000.00. The FDIC Insurance coverage limit applies per depositor, per insured depository institution, for each ownership category. ■

IMPORTANT INFORMATION ABOUT JANNEY ADVANTAGE CASH MANAGEMENT SERVICES

Janney Advantage Cash Management Services will be enhanced in January 2012. We are introducing several new benefits and updating our system for Cash Management Services (and E-Bill Payment) on January 26, 2012. To facilitate these changes, we will be replacing clients’ debit/ATM cards and checks in January 2012. Clients’ checking account and debit card numbers will also change at that time. If you have a Janney Advantage account or E-Bill Payment, please review the information we recently sent to Janney Advantage clients or contact your Financial Advisor with any questions. In addition, please look for your new checks and debit card arriving in your mail in January 2012. ■

*(Cost Basis Reporting: Important Information for Clients;
Continued from page 3.)*

What Are the Changes to Short Sale Reporting?

A short sale is the sale of a security on a particular date with the intention of repurchasing the identical security at a later date. In the past, short sale proceeds were reported to the IRS in the year they were opened. For 2011, Janney will be required to report both proceeds and cost basis in the tax year the short sale is closed. Janney will report the cost basis, holding period and proceeds.

What are the Changes to Gift and Inheritance-Related Transactions?

Janney now tracks cost basis adjustments and adjusts the cost basis after the sale or redemption of a gifted “covered” security. Please notify your Financial Advisor of any security(s) you are transferring as a gift for this purpose.

For More Information

Please contact your tax advisor or Financial Advisor with questions regarding changes to tax reporting for investment proceeds and how this may affect your specific situation. In addition, you can refer to our Cost Basis publication at www.janney.com/taxes for more information.

IRS Circular 230 Disclosure: Janney Montgomery Scott LLC, its affiliates, and its employees are not in the business of providing tax, regulatory, accounting or legal advice. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Any such taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor. ■

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